

Message Text

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ACTION EA-14

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INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

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COME-00 DRC-01 /151 W

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R 240911Z JUL 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 7030

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMEMBASSY SAIGON

C O N F I D E N T I A L PHNOM PENH 9792

E.O.11652: GDS

TAGS: PFOR CB FR EIND

SUBJECT: GRUNK NATIONALIZATION OF FRENCH PLANTATIONS

REF: PHNOM PENH 9668

1. PROMINENT LOCAL FRENCH BUSINESSMAN BATTESTI CALLED ON AMBASSADOR JULY 22 TO DISCUSS GRUNK NATIONALIZATION OF FRENCH RUBBER PLANTATIONS IN KC-CONTROLLED TERRITORY. BETWEEN BATTESTI'S JULY 21 TELEPHONE CALL REPORTED REFTEL AND THIS VISIT, THE FRENCH PLANTERS HAD MET IN PHNOM PENH AND FORMULATED POSITION ON HOW TO COPE FOR THE PRESENT WITH THE NATIONALIZATION.

2. PLANTERS AGREE NOT TO RAISE PROBLEM WITH THE GKR AT THIS POINT AND WILL GET WORD TO KC THAT THEY ARE WILLING TO CONTINUE TRADING WITH THE KC AS BEFORE. WITHIN THE NEXT THREE OR FOUR WEEKS PLANTERS WILL KNOW BY GRUNK ACTIONS WHETHER OR NOT GRUNK WILL CONTINUE "BUSINESS AS USUAL".

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3. BATTESTI SAID NATIONALIZATION ANNOUNCEMENT CAME AS

SURPRISE TO THE PLANTERS. ON JULY 18 PLANTERS HAD RECEIVED A LETTER FROM THE OTHER SIDE REQUESTING A 50 PERCENT INCREASE IN PRICE. PLANTERS HAD NOT YET FORMULATED REPLY TO THIS REQUEST AND NATIONALIZATION MAKES IT EVEN MORE DIFFICULT TO DETERMINE WHAT KIND OF REPLY TO GIVE.

4. BATTESTI THOUGHT THAT EVACUATION OF RUBBER FROM KC TERRITORY WAS FEASIBLE ONLY THROUGH CAMBODIA. TRANSPORTING RUBBER THROUGH NORTH VIETNAM WAS "UNTHINKABLE" DUE TO THE HEAVY REQUIREMENT FOR TRUCK FUEL AND, MORE IMPORTANTLY, THE FACT THAT NORTH VIETNAM HAD NO PROCESSING PLANTS FOR LATEX. AS FOR SOUTH VIETNAM, RUBBER WOULD HAVE TO GO THROUGH VC TERRITORY AND TO DATE THE GVN HAD NOT PERMITTED ANY COMMERCE WITH THAT TERRITORY. APPARENTLY NO RUBBER IS BEING SMUGGLED OUT OF FRENCH

PLANTATIONS IN VC TERRITORY IN SOUTH VIETNAM.

5. WITH A FEW MINOR EXCEPTIONS, THE GKR HAD HERETOFORE PERMITTED THE FRENCH PLANTERS TO PROCESS AND MARKET ALL RUBBER RECEIVED FROM KC-CONTROLLED TERRITORY. AFTER PROCESSING LATEX IN PHNOM PENH AND SELLING IT ON THE INTERNATIONAL MARKET, FRENCH PLANTERS DISTRIBUTED A CERTAIN PERCENTAGE OF PROCEEDS TO THE MANY SMALL CAMBODIAN PLANTERS WHO ALSO OWN PROPERTY IN KC-CONTROLLED AREAS. APPARENTLY MINISTER OF AGRICULTURE IN PRECEDING GOVERNMENT HAD PERMITTED A FEW CHINESE BUSINESSMEN TO MAKE SOME SMALL PURCHASES DIRECTLY FROM THE KC. HOWEVER, THESE CHINESE DO NOT HAVE PROCESSING FACILITIES OR TRADE CONNECTIONS. BATTESTI THINKS GKR WILL NOT CHANGE ITS POLICY AND WILL CONTINUE TO LET FRENCH PLANTERS HANDLE THE RUBBER TRADE. (RUBBER REPRESENTS THE MAIN FOREIGN EXCHANGE EARNER FOR THE GKR.) IF GKR WERE TO SEIZE THIS OPPORTUNITY TO CUT OUT FRENCH PLANTERS AND HAVE OTHERS DEAL WITH KC, BATTESTI THINKS GOF WOULD CONSIDER THIS UNFRIENDLY ACT BECAUSE DEALERS WOULD BE TRADING IN "STOLEN" GOODS. ON OTHER HAND, IF GKR CONTINUES THE PRESENT ARRANGEMENTS, BATTESTI THINKS QUAI WOULD REALIZE THAT LONG-RANGE FRENCH INTERESTS ARE NOT WITH GRUNK BUT RATHER THE GKR. BATTESTI ASKED PROMINENT FRENCH

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INDUSTRIALIST GASTON RUEFF (OWNER OF MIMOT PLANTATION AND OTHER MAJOR INDUSTRIAL INTERESTS IN CAMBODIA) TO MAKE REPRESENTATION AT MINISTERIAL LEVEL AT QUAI TO DRIVE HOME POINT THAT FRENCH COMMERCIAL INTERESTS LIE WITH GKR AND NOT REPEAT NOT WITH GRUNK.

COMMENT. LOCAL FRENCH EMBASSY INFORMED FRENCH EMBASSY PEKING ABOUT NATIONALIZATION BECAUSE IN EARLIER YEARS

SIHANOUK HAD ALWAYS ASSURED FRENCH PLANTERS THAT THEY
HAD NOTHING TO FEAR FROM GRUNK. LATEST GRNK ACTION
AQPEARS TO HAVE BEEN TAKEN BY KC FORCES OF THE INTERIOR,
AND LOCAL FRENCH DOUBT SIHANOUK WAS CONSULTED. IN ANY
CASE, I THINK AMBASSADOR IRWAIN MIGHT FIND THIS LATEST
GRUNK INITIATIVE USEFUL IN DISCUSSING WITH QUAI DESIRA-
BILITY OF FRENCH SUPPORTING EITHER PUBLICLY OR IN INTER-
NATIONL FORUM NEGOTIATIONS AMONG KHMERS AS BEST WAY TO
RESOLVE COMBODIAN CONFLICT WHICH WOULD ALSO PROTECT
THEIR INTERESTS IN THIS COUNTRY.
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